

Record of Outputs from the
association for project management's
 Contracts & Procurement SIGs Annual Conference on
Innovative Supplier Selection Methods



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The following outputs were generated from the syndicate work sessions at the Annual Conference of the Contracts & Procurement Special Interest Group.

The session leaders were :

❖ Selection mainly on Price or Cost Factors	Mike Taylor, BT plc
❖ Selection mainly on Past Performance	Lee Griffin, Davis Langdon LLP
❖ Selection mainly on What They Promise	Breda Ryan, BAA Capital Projects
❖ Selection mainly on Negotiation / Dialogue	Alan Wildsmith, Hay Group.

Thanks is given to them as well as those who participated in each session.

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1. Selection Mainly on Price or Cost Factors

(a) What are the Bones of It ?

- ❖ Clear understanding of requirement – categorisation: tending towards commodity items, i.e. low risk, low innovation projects where something similar has been done before.
- ❖ Business driver to consciously make cost king – budget constraints

(b) What are its Advantages ?

- ❖ Easy to evaluate / compare
- ❖ Certainty of cost? Yes – on commodity type projects. No – complex procurements.
- ❖ Speed to contract providing clear, complete and unambiguous specification already in place
- ❖ Easy forecasting of expenditure
- ❖ Creates budget to use for other activity ie use the savings elsewhere
- ❖ Can easily be used with frameworks – bring requirements together for economies of scale.
- ❖ Ease of doing business, simple Terms and Conditions are sufficient providing there is little change.
- ❖ Offer good faster payment in return for cheaper buy price if price is king

(c) What are its Disadvantages ?

And what are the variants to counter-act these Disadvantages ?

- ❖ Potentially not best Value For Money – sacrifice quality for price
- ❖ Exposure to downstream costs and customer / user dissatisfaction
- ❖ Financial viability risk of supplier if they under price.
- ❖ Constant change of supplier – in-house resource
- ❖ Sustainability issues: CSR / labour rates

Variants :

- ❖ Dictate minimum standards on all these issues and select on price from compliant supplier supplying verification.
- ❖ Evaluate realism of bid to ensure not buying job with the intention of making money on changes &/or extras.

(d) When would you use it as the main means of selection ?

- ❖ In financially difficult times for our business – response to budget cuts
- ❖ In a well understood market – low risk standard type projects where something similar has been done before.
- ❖ When requirements are stable
- ❖ When benchmarking is easy
- ❖ When you don't need things like warranties and whole life costs are less important.

2. Selection Mainly on Past Performance

(a) What are the Bones of It?

- ❖ Pre-qualification questionnaire
- ❖ Accreditations
- ❖ Credit history
- ❖ Previous customers – references / bidding success / testimonials
- ❖ Market research
- ❖ Utilisation of resources
- ❖ Supplier capabilities
- ❖ Own experience of contractor
- ❖ Behaviours

(b) What are its Advantages?

- ❖ Past performance is an indicator of future success
- ❖ Confirms the supplier is up to task
- ❖ Reduces risk of failure due to lack of capability in technical, project management or another aspect of supplier performance.
- ❖ Helps with down selection
- ❖ Informs approval / governance process
- ❖ Increases end user confidence
- ❖ They can help with identification of risks prior to bid / during bid
- ❖ It can speed up the procurement process if we can get past performance information easily and quickly and then make a decision on this basis.

**(c) What are its Disadvantages ?
And what are the variants to counter-act these Disadvantages?**

- ❖ Contractor only as good as last job – what about when things went wrong? Does purchaser (a) have knowledge of failures and (b) access to them.
- ❖ Performance very much down to quality of team + systems and resources.
- ❖ Limits choice
- ❖ Innovation
- ❖ Not a prediction of future strength in depth
- ❖ Level of detail
- ❖ Reliance on subjective references
- ❖ We have to decide 'what are we measuring from past? '(time / cost / quality)'
- ❖ KPI's – do they reflect the right things we want

(d) When would you use it as the main means of selection?

- ❖ Whenever possible
- ❖ When you have resource to conduct full analysis - otherwise it can just be a superficial 'beauty parade'.

(e) When would you not use it as the main means of selection?

- ❖ Don't only rely on it!
- ❖ Low value / low risk work
- ❖ Low complexity
- ❖ Where quality is not a driver.
- ❖ Monopoly situation.

3. Selection Mainly on What They Promise

(a) What are the Bones of It ?

- ❖ What suppliers will promise is based against an initial scope / criteria
- ❖ What can they deliver and at what cost / quality etc?
- ❖ Initially may be based on area of expertise
- ❖ Evaluation may be based on a technical response : what you can have for X cost?
- ❖ Difference between 'reputation' and 'expertise' and 'skills' (e.g. particular skilled person)
- ❖ 'Innovation'
- ❖ Normally quite subjective – actually believe what they tell you, backed up by skill set (individuals and organisation as a whole)
- ❖ Trust plays a key part (not necessarily an advantage or disadvantage).

(b) What are its Advantages ?

- ❖ Encourages innovation (in response to requirements)
- ❖ Potentially shows grounds for good working relationships as initial engagement is trust based

(c) What are its Disadvantages ?

And what are the variants to counter-act these Disadvantages ?

- ❖ Promises made that aren't delivered.
- ❖ Not based on evidence
- ❖ Higher degree of uncertainty
- ❖ Difficult to establish scoring criteria
- ❖ Resource-intensive (time / cost of validating promises)
- ❖ A robust monitoring and control process needs to be in place.

(d) When would you use it as the main means of selection ?

- ❖ If it relates to something completely new / unproven / non-standard product environment
- ❖ Use in parallel with other selection methods.

4. Selection Mainly on Negotiation / Dialogue

(a) What are the Bones of It ?

- ❖ Public v private sector means the rules are very different (OJEU'OGC)
- ❖ Rules / procedures (EU directives) for public sector and utilities
- ❖ Iterative development of model
- ❖ Pre-selection – works in private sector, 'ear of decision maker'
- ❖ Open discussion – people to people
- ❖ The skills / competencies (behavioural) required are significantly different from other models.
- ❖ There are hierarchies of negotiation – for example, CEO-CEO & procurement-procurement - each with their own dynamics, which can be good thing to preserve relationships yet ensure competitiveness.
- ❖ Requirements of ongoing recording in competitive dialogue (to demonstrate and ensure fairness) that are not required in a negotiation setting (although it might be a good practice!).
- ❖ Confidentiality between tenderers is important and what will / will not be confidential needs to be made clear upfront and stuck to
- ❖ There are questions of the client's approach to encouraging or preventing teaming.
- ❖ There is a focus on establishing internal networks – e.g. identifying subject matter experts - to make decisions quickly and effectively (the intelligent customer")

(b) What are its Advantages ?

- ❖ Client becomes better informed
- ❖ More refined solution / spec
- ❖ More visibility for all parties
- ❖ Opportunity to develop a relationship - which in project can be important.

(c) What are its Disadvantages ?

And what are the variants to counter-act these Disadvantages ?

- ❖ Up front cost for purchaser and tenderers is high
- ❖ Time consuming
- ❖ Resource heavy

- ❖ Develop criteria which are broad from the outset in order not to be too tied to your initial view of the solution, but to ensure all suppliers have clear idea of what your model is trying to achieve.
- ❖ Claims from bidders (open to challenge)
- ❖ Complex logistics
- ❖ Ensuring confidentiality is a challenge.

(d) When would you use it as the main means of selection ?

- ❖ When you don't know "what you don't know" – i.e. to experience
- ❖ Why would you impose this on private sector ? e.g. Sarbane's Oxley
- ❖ Competitive dialogue designed for projects in the UK/EU - question of the extent of its applicability outside of regulated framework.
- ❖ Part of procurement strategy – market has greater knowledge
- ❖ Private sector – you know who you want.
- ❖ People / trust are important in the delivery phase
- ❖ When you have money
- ❖ Complex projects / high value, e.g. new product implementation.